

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Benzie Conservation District	County Benzie
Fiscal Year End 9/30/06	Opinion Date 1/25/07	Date Audit Report Submitted to State 3/28/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) J L Stephan Co, PC		Telephone Number (231) 941-7600		
Street Address 862 E. Eighth Street		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 		Printed Name Jerry L. Stephan		License Number 1101010359

BENZIE CONSERVATION DISTRICT

Benzie County, Michigan

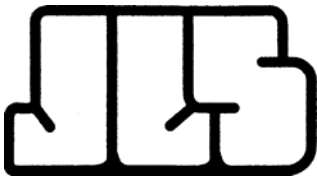
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

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FINANCIAL SECTION



J L Stephan Co PC

Certified Public Accountants

Jerry L. Stephan, CPA

Marty K. Szasz-Busby, CPA
David Skibowski, Jr., CPA
Christopher H. Cornell, CPA

INDEPENDENT AUDITOR'S REPORT

To the District Board
Benzie Conservation District
P.O. Box 408
Beulah, MI 49617

We have audited the accompanying financial statements of the governmental activities of the Benzie Conservation District as of and for the year ended September 30, 2006 as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. These standards require that we plan and perform the audit to provide reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District as of September 30, 2006 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

The accompanying statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of the basic financial statements.

The budgetary comparison information on pages 10-11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

J. L. Stephan Co. P.C.

January 25, 2007

Benzie Conservation District
Governmental Funds Balance Sheet/Statement of Net Assets
September 30, 2006

Exhibit A

	<i>General Fund Modified Accrual Basis</i>	<i>Adjustments</i>	<i>Statement of Net Assets</i>
Assets			
Cash in Bank	\$ 41,662	\$ -	\$ 41,662
Fidelity Fund	61,569	-	61,569
Receivables	9,340		9,340
General Fixed Assets	<u>-</u>	<u>141,430</u>	<u>141,430</u>
<i>Total Assets</i>	<u><u>\$ 112,571</u></u>	<u><u>\$ 141,430</u></u>	<u><u>\$ 254,001</u></u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	\$ 1,314	\$ -	\$ 1,314
Payroll Liabilities	1,775	-	1,775
Mortgage Payable - current	<u>-</u>	<u>4,126</u>	<u>4,126</u>
<i>Total Current Liabilities</i>	3,089	4,126	7,215
<i>Long-Term Liabilities</i>			
Mortgage Payable - HSB	-	67,569	67,569
Mortgage Payable - current	<u>-</u>	<u>(4,126)</u>	<u>(4,126)</u>
<i>Total Long-Term Liabilities</i>	<u>-</u>	<u>63,443</u>	<u>63,443</u>
<i>Total Liabilities</i>	<u>3,089</u>	<u>67,569</u>	<u>70,658</u>
Fund Balance/Net Assets			
Fund Balance - Designated	45,000	(45,000)	-
Fund Balance - Undesignated	<u>64,482</u>	<u>(64,482)</u>	<u>-</u>
<i>Total Fund Equity</i>	<u>109,482</u>	<u>(109,482)</u>	<u>-</u>
<i>Total Liabilities and Fund Equity</i>	<u><u>\$ 112,571</u></u>		
Net Assets			
Invested in Capital Assets - Net of Debt		73,861	73,861
Unrestricted		<u>109,482</u>	<u>109,482</u>
<i>Total Net Assets</i>		<u><u>\$ 183,343</u></u>	<u><u>\$ 183,343</u></u>

See Accompanying Notes to Financial Statements

Benzie Conservation District
*Statement of Governmental Fund Revenue, Expenditures,
and Changes in Fund Balance/Statement of Activities
For the Year Ended September 30, 2006*

Exhibit B

	<i>General Fund</i>		<i>Statement</i>
	<i>Modified</i>		<i>of Activities</i>
	<i>Accrual Basis</i>	<i>Adjustments</i>	
<i>Revenues</i>			
Federal Grants	\$ -	\$ -	\$ -
State Grants	68,883	-	68,883
Local Contributions	42,842	-	42,842
Charges for Services	9,398	-	9,398
Tree Sales	26,376	-	26,376
Other Sales	10,404	-	10,404
Rents	-	-	-
Interest	2,294	-	2,294
Contributions & Donations	3,564	-	3,564
Refunds & Reimbursements	287	-	287
Other Revenues	72	-	72
<i>Total Revenue</i>	164,120	-	164,120
<i>Expenditures</i>			
General Operations	52,280	(3,497)	48,783
Forestry	21,793	-	21,793
Platte River Project - 2002-0038	14,620	-	14,620
Herring Lake Project - 2000-0195	44,749	-	44,749
Herring Lake Project - 2003-0044	4,893	-	4,893
Other Expenditures			
Depreciation		3,488	3,488
<i>Total Expenditures</i>	138,335	(9)	138,326
<i>Excess Revenues Over (Under) Expenditures</i>	25,785	9	25,794
Fund Balance - Beginning of Year	83,697	73,852	157,549
Fund Balance - End of Year	\$ 109,482	\$ 73,861	\$ 183,343

See Accompanying Notes to Financial Statements

Benzie Conservation District
Notes to Financial Statements
For the Year Ended September 30, 2006

Note 1 – Summary of Significant Accounting Policies

The financial statements of Benzie Conservation District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

Benzie Conservation District is a conservation district created in accordance with Michigan State statutes. The District is governed by a volunteer District board whose members are elected for four year terms at the annual meeting in accordance with State statutes.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability.

The District operates as an autonomous agency completely separate from Benzie County and the State of Michigan. On this basis, accordingly, the financial statements of the District have not been included in the financial statements of any other organizations.

B. Government –Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Expenses are those that are clearly identifiable with a specific function or segment. Revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Separate financial statements are provided for governmental funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Benzie Conservation District
Notes to Financial Statements
For the Year Ended September 30, 2006

Note 1 – Summary of Significant Accounting Policies – continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The local unit reports the following major governmental fund:

General Fund - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from federal and state distributions, tree sales and contributions from other local governmental units.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets – Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$400 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation has been provided on these fixed assets using the straight line method over their estimated useful lives.

Equipment and Improvements	10 - 15 Years
Building	39 Years

Long-Term Obligations - Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Benzie Conservation District
Notes to Financial Statements
For the Year Ended September 30, 2006

Note 2 – Stewardship, Compliance and Accountability

A. Budgets

The General Fund is under formal budgetary control. Budgets shown in the financial statements for this fund were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the District.

In the body of the combined financial statements, the District's budgeted expenditures for the budgetary funds have been shown on a program or activity basis, the level at which they were adopted.

Encumbrance accounting is not used and appropriations normally lapse at year-end.

B. Budget Compliance

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall adopt an annual budget and not incur expenditures in excess of the amount appropriated.

During the year ended September, 2006, the District had no expenditures in excess of amounts appropriated.

C. Concentration of Risk

The majority of the District's revenues come from grants coming through the State of Michigan Department of Agriculture and Department of Environmental Quality. Loss of these grants would be detrimental to the ability of the organization to continue as a going concern.

Note 3 - Deposits with Financial Institutions

A. Michigan Compiled Laws, Section 129.91

This law authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements' bankers' acceptance of the United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit has designated one bank for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments as outlined above.

The Local Governmental Unit's deposits and investment policy are in accordance with the statutory authority.

Benzie Conservation District
Notes to Financial Statements
For the Year Ended September 30, 2006

Note 3 - Deposits with Financial Institutions - continued

B. Types of Deposits and Investments

At year-end, the Local Unit's cash deposits and cash equivalents were reported in the basic financial statements in the following categories:

	Governmental <u>Activities</u>
Cash and Equivalents	\$ 41,612
Investments	61,569
Restricted Assets	<u>-</u>
Total Deposits	<u>\$ 103,181</u>

The breakdown between deposits and investments is as follows:

	Governmental <u>Activities</u>
Time & Demand Deposits	\$ 41,612
Investments	61,569
Cash on Hand	<u>50</u>
Total	<u>\$ 103,231</u>

The bank balance of the primary government's deposits is \$46,612, all of which is covered by federal depository insurance.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. The categories are described as follows:

- Category 1 Insured, registered, or securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counter party, or its trust department or agent but not in the District's name.

	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Reported Amount</u>
Fidelity Cash Reserves	\$ -	\$ -	\$ 61,569	\$ 61,569
Total Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,569</u>	<u>\$ 61,569</u>

Benzie Conservation District
Notes to Financial Statements
For the Year Ended September 30, 2006

Note 4 - Changes in Capital Assets

Capital asset activity of the District for the current year is summarized as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 55,411	\$ -	\$ -	\$ 55,411
<i>Capital Assets Being Depreciated</i>				
Equipment	9,297	-	-	9,297
Bldg. Improvements	2,200	-	-	2,200
Buildings	<u>94,202</u>	<u>-</u>	<u>-</u>	<u>94,202</u>
	<u>105,699</u>	<u>-</u>	<u>-</u>	<u>105,699</u>
<i>Accumulated Depreciation</i>				
Equipment	(3,470)	(853)	-	(4,323)
Bldg. Improvements	(1,045)	(220)	-	(1,265)
Buildings	<u>(11,677)</u>	<u>(2,415)</u>	<u>-</u>	<u>(14,092)</u>
	<u>(16,192)</u>	<u>(3,488)</u>	<u>-</u>	<u>(19,680)</u>
<i>Net Capital Assets being Depreciated</i>	<u>89,507</u>	<u>(3,488)</u>	<u>-</u>	<u>86,019</u>
<i>Total Capital Assets of Governmental Activities – Net of Depreciation</i>	<u>\$144,918</u>	<u>\$ (3,488)</u>	<u>\$ -</u>	<u>\$141,430</u>

Note 5 - Long-Term Debt

The District has a 20 year mortgage payable to Honor State bank secured by the District's office building. This loan requires monthly payments of \$689 which includes an initial rate of 7.9% annual interest. In 2003 the rate was reduced to 6.9% annual interest.

The following is a summary of transactions for the year ended September 30, 2006:

<i>Building Mortgage</i>	
Beginning Balance	\$ 71,066
New Borrowing	-
Principal Paid	<u>3,497</u>
Ending Balance	<u>\$ 67,569</u>

Benzie Conservation District
Notes to Financial Statements
For the Year Ended September 30, 2006

Note 5 - Long-Term Debt - continued

Amount required to amortize long-term debt at year end:

2007	\$ 8,271
2008	8,271
2009	8,271
2010	8,271
2011	8,271
2012-2018	<u>57,490</u>
 Total Payments	 98,845
Less Interest	<u>(31,276)</u>
 Principle Balance Remaining	 <u>\$ 67,569</u>

Note 6 - Risk Management

The District carries insurance coverage through Michigan Insurance Company for liability, property, crime and employee dishonesty. The District also carries workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

Benzie Conservation District

Budgetary Comparison Schedule

General Fund

Year Ended September 30, 2006

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance w/Amended Budget</i>
Beginning Fund Balance	\$ 83,697	\$ 83,697	\$ 83,697	\$ -
Revenues				
Federal Grants	-	-		-
State Grants	51,700	68,990	68,883	(107)
Local Contributions	51,631	51,631	42,842	(8,789)
Charges for Services	9,075	10,185	9,398	(787)
Tree Sales	12,000	7,800	26,376	18,576
Other Sales	-	-	10,404	10,404
Rents	-	-	-	-
Interest	195	195	2,294	2,099
Contributions & Donations	-	-	3,564	3,564
Refunds & Reimbursements	-	-	287	287
Other Revenues	<u>28,802</u>	<u>28,852</u>	<u>72</u>	<u>(28,780)</u>
Amount available	237,100	251,350	247,817	(3,533)
Expenditures				
<i>General Operations</i>				
Payroll Expenses & Benefits			21,174	
Office Expenses			2,392	
Utilities, Website & Telephone			4,306	
Accounting & Audit			3,759	
Dues & Subscriptions			1,025	
Printing & Binding			3,453	
Cost of Sales			15,395	
Advertising & Promotion			402	
Meetings & Travel			1,773	
Building Maintenance			118	
Insurances			703	
Mortgage			8,271	
Other Expenditures			427	
Reimbursed Expenses - Admin			(10,918)	
	<u>70,517</u>	<u>59,137</u>	<u>52,280</u>	<u>6,857</u>
<i>Forestry</i>				
Payroll Expenses & Benefits			16,580	
Office Expenses			391	
Utilities, Website & Telephone			80	
Advertising & Promotion			295	
Meetings & Travel			944	

See Accompanying Notes to Financial Statements

Benzie Conservation District

Budgetary Comparison Schedule

General Fund

Year Ended September 30, 2006

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance w/Amended Budget</i>
<i>Forestry - continued</i>				
Insurances			102	
Grant Administration			3,401	
Other Expenditures			-	
	<u>26,740</u>	<u>28,480</u>	<u>21,793</u>	<u>6,687</u>
<i>Herring Lake Project - 2003-0044</i>				
Payroll Expenses & Benefits			6,526	
Office Expenses			75	
Printing & Binding			1,097	
Contract - Water Monitoring			4,085	
Meetings & Travel			71	
Grant Administration			2,766	
Other Expenditures			-	
	<u>-</u>	<u>17,290</u>	<u>14,620</u>	<u>2,670</u>
<i>Great Lakes Basin</i>				
Payroll Expenses & Benefits			35,990	
Office Expenses			86	
Project Materails			352	
Contract - Consultant			2,421	
Education & Outreach			2,567	
Meetings & Travel			1,663	
Insurances			155	
Grant Administration			1,515	
Other Expenditures			-	
	<u>51,146</u>	<u>52,846</u>	<u>44,749</u>	<u>8,097</u>
<i>Maley Trail</i>				
Payroll Expenses & Benefits			813	
Project Materails			844	
Grant Administration			3,236	
Other Expenditures			-	
	<u>5,000</u>	<u>5,000</u>	<u>4,893</u>	<u>107</u>
Total Charges to Appropriations	<u>153,403</u>	<u>162,753</u>	<u>138,335</u>	<u>24,418</u>
Budgetary Fund Balance	<u>\$ 83,697</u>	<u>\$ 88,597</u>	<u>\$ 109,482</u>	<u>\$ 20,885</u>

See Accompanying Notes to Financial Statements

OTHER INFORMATION (UNAUDITED)

Benzie Conservation District

Comments and Recommendations

We have audited the financial statements of the Benzie Conservation District for the year ended September 30, 2006 and issued our report thereon dated January 25, 2007. As part of our audit, we studied and evaluated the District's internal control structure. Because the study and evaluation were only part of the overall audit plan regarding the financial statements, our study was more limited than would be necessary to express an opinion on the system of internal control taken as a whole. Accordingly, we do not express an opinion on the system of internal control of the District taken as a whole. As the result of our audit, we deem it necessary to make the following comments and recommendations.

Opening Comments

Your executive director maintained the records of the District in good condition. We recognize the District's Board and Treasurer are all volunteers and we commend them for their efforts to manage the District and oversee its accounting system. As part of a continuing effort to enhance internal control and improve the accounting system, financial reporting, and overall management, we offer the following comments and recommendations for your consideration.

Uniform Chart of Accounts

We noted the District adopted, in part, the uniform chart of accounts required by the *Michigan Conservation District Accounting Procedures Manual*. However, the account structure is not in the required format. The District uses *Quickbooks* accounting software to maintain its accounting records. The software allows for a "Class" of each expenditure account. Effectively, a "Class" equates to an activity in the State's account format and the software allows for revenue and expenditure reports to be run by class. These reports may be used to summarize revenues and expenditures by activity and in total and appear to meet State reporting needs and requirements.

Journal Entries

We noted numerous journal entries to allocate administrative expenditures of general operations among various activities. These entries were recorded as expenditures to an activity and revenue to general operations. This procedure causes an overstatement of both revenues and expenditures. In some cases, the executive director could not provide support or reasonable explanations for amounts allocated. We recommend the District establish a record of and maintain reasonable support for expenditure allocations. These and all other journal entries should be maintained in a separate binder with proper support and authorization.

Financial Information in Meeting Minutes

The meeting minutes of the District appear reasonably complete with sufficient detail to obtain an understanding of the District's operations. We noted in the August 2005 minutes the financial information to be contained in and with the Treasurer's reports. The listing of those documents appears reasonable. However, because amounts and required details are not specifically identified in the minutes, we recommend a brief bibliography at the end of the monthly meeting minutes listing the documents contained in the Treasurer's reports.

We also noted the adoption of budgets and approval of appropriations acts. Again, no specifics were noted in the minutes, only approval. We recommend either noting amounts of budgeted revenues and expenditures as well as information within the appropriations act or noting the information is attached to the minutes.

Benzie Conservation District

Comments and Recommendations

Capital Outlay

Small items of less than \$500 were coded to capital outlay accounts. Capital outlay accounts should only be used for expenditures for fixed asset additions or material improvements to fixed assets. Amounts under the capitalization threshold should be posted to another expenditure account such as supplies or repairs and maintenance.

Budgeting

The District amended its general appropriations act to reflect additional funding sources and expenditures not previously anticipated.

Other Items

The District does not use the voucher system required and outlined in the *Michigan Conservation District Uniform Accounting Procedures Manual*. However, approval, coding and other pertinent information is written on the face of the original invoice. A check voucher is attached to the original invoice and filed. Although procedures used by the District are not in compliance with the Manual, we do not consider this a material deficiency in the accounting system.

Closing Comments

We will gladly discuss any of these recommendations and assist in their implementation. This report is intended solely for the information and use of the Benzie Conservation District's management, and others within the organization. We further appreciate the courtesy extended our field auditors in the conduct of this audit engagement. Should any questions arise regarding these statements or the conduct of our audit, please call upon us.